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AFTER CAPITALISM, THE DERIVATIVE / FOR RANDY MARTIN

ECONOFICTION CAPITAL, DERIVATE, FINANCE, MARXISM, MONEY

"After me, the deluge," declared King Louis XV, at what was almost but not quite the high water mark of Absolutism. These days one might say, after capitalism, the *derivative*. The late work of Randy Martin takes up the startling premise that the commodity form has mutated into something else. *Knowledge LTD: Towards a Social Logic of the Derivative* (Temple University Press, 2015), the last book he published before his untimely death, tries to tease out several implications of this idea, while recapitulating his entire lifetime of study, of culture, politics and economy.

We forget that Marx's *Capital* starts with the appearance of what is *new* in the world of its time: the abundance of commodities. So why always keep starting with commodities now that they are old, rather than starting with a form of exchange whose abundance is relatively new, with derivatives? Martin: "derivatives are a transmission of some value from a source to something else, an attribute of that original expression that can be combined with like characteristics, a variable factor that can move in harmony or dissonance with others." (51)

A commodity appears as a unitary thing, a discrete object, calling forth an individual subject as its intimate partner on the market. Behind that appearance lies a whole hidden world of production, where particular labors are themselves commodified and combined, where products are made and a surplus labor extracted. As Wendling shows, in Marx, it is something of a thermodynamic model, where production is a meshing of labor and machines, each with its own kind of energy.

A key to thinking this process is its *abstraction*. Particular, concrete labors become abstract labor; particular commodities extruded from their factories all embody some quantity of that labor, the ultimate determinant of their exchange value. But what if abstraction had not stood still since the commodity form was generalized? What if it didn't stop at abstracting from the body of the worker, the object produced, and the individual subject as consumer?

On top of the abstraction of the particular labors, commodities and consumers that are the commodity form, there might now be another, which is by some measures a bigger thing in the world. This other abstraction is the derivative, via which each of the component flows in commodification can be subdivided, valued, combined and sold again and again in the form of a financial instrument. On top of the quantitative abstraction of the energetics of production is a quantitative abstraction of the information about all of the possible future states of that system. Each of which can be separately priced and sold.

Martin: "If derivatives do now what commodities did in Marx's account, they too, result from, bear, and release particular social relations and forms." (75) This might not be the capitalism of your great-grandparent's era, and while one could try to explain it with metaphors and concepts drawn from that past, these might obscure what is qualitatively peculiar about its form today. What might be different is not just the appearances but the underlying relation between particular things and the totality of abstract relations that generate them as appearances. Commodities could be thought as particular parts of an abstract whole; derivatives are further subdivisions of those parts which can be further abstracted into many possible totalities.

Marxist theory is at something of an impasse at the moment. The 'cultural turn' of Stuart Hall and others raised some pertinent issues, not least about race and gender and the postcolonial world, but it got bogged down in the details, in appearances. Unfortunately, the dominant response is to simply return to the ways of thinking the underlying abstract totality of the era prior to that turn. Rare are attempts, like Martin's, at a dialectical overcoming of the impasse, in which the appearances of the late twentieth century are subsumed in a more historical and contemporary understanding of the totality that might produce them.

Here it might help that the cultural appearances to which Martin pays attention is not the usual fiction, cinema, music or other cultural products that were central to debates about so-called postmodern culture. His early work was mostly about dance, which does not quite so neatly fit into theories of pastiche, (Jameson), simulation (Baudrillard), game (Lyotard), panic (Kroker), database (Azuma) or the stack (Bratton).

The postmodern moment is for Martin is when a general derivative logic extends across economic, political and cultural principles of movement. It emerges out of the struggles of the seventies. As in Hardt and Negri, Martin puts the emphasis on subaltern agency, but it is not labor which drives the qualitative change toward the derivative, but what Martin calls *decolonization*, which happens on a much wider front. Indeed, part of its novelty is the *abundance* of points of challenge. Decolonization unmakes seeming naturalness of domination, and escapes from nation, empire, self, mass, all of which posed as forms of autonomy but were actually forms of authority.

The derivative is byproduct of various decolonizations, which are not just a negation of power, but also an affirmation of self-assembly (as described by Butler). Martin: "the derivative flows from decolonization and takes the undoing of what was whole, the unbounding of what was enclosed, the bundling of what was scattered and shred as its conditions of possibility.... From the decolonization of culture, seeds are spread everywhere and sources released and captured, sampled and posted, through expansive webs of self-dissemination." (206)

Like Paolo Virno, Martin is interested in dance as emblematic of a kind of self-organizing labor. For Martin, the dancer's body "... has been valued and supported in a kind of impossible economic anorexia... Dancers are prized for their creativity, flexibility absence of material needs..." (146) Which Virno thinks of as post-fordist *virtuosity* but which Martin thinks of as kind of *social kinesthetic*. This is more like Raymond Williams' *structure of feeling*, in which a certain historical formation is lived and breathed. Like structure of feeling, a social kinesthetic might be a disposition that exists prior to its articulation, as a sensibility or habit. Dancers are the perfect labor force, a model of work without strife – or strikes.

Dance is a site for thinking about how the body in movement makes value. In a factory, bodies move, products extrude, but then those commodities are alienated from their maker and enter circulation, and end up inside circulation in forms of credit and debt. Dance is different. Bodies move in space, credit and debt are tendered between dancers and audiences for a particular duration. Circulation is inside production. Dance is also derivative, a series of minor variations derived from something common. Small changes lead to large gains. Dance makes the kinesthetic legible, and this understanding can then be substituted into other domains of practice. This is essentially what Martin did. For him, dance is derivative of the social kinesthetic in the same way that finance is derivative of the commodity form.

Postmodern dance is a new iteration of the social kinesthetic, a rupture from the universalizing tendencies of the classical and the modern. The classical is an order that comes from without that has to be embodied. Its origins are in feudal Absolutism, as codified dance was initially derived from Louis XVI's movements. Sovereignty is transferred from the king to the artist-genius-celebrity, operating in art as autonomous realm. The classical kinesthetic privileges a vertical movement: the king imitates God; the dancer the king, the subject the dancer.

If one had to give one instance of the modern, then Martha Graham (who studio was at The New School for a while) is an excellent choice. In the modern, the choreographer becomes the sovereign artist-genius. It's a kinesthetic that includes the vertical but also the outward and forward arcing spiral. Genius is disclosed through self-mastery of the body's inherent capacity. Movement is for movement's sake within an autonomous space of art.

The postmodern turns against the exalted body of the creator, revealing the labor of the body masked by the cult of genius. Judson Memorial Church, a few blocks south of the New School, is the fulcrum here. That was where Merce Cunningham's experiments were elaborated upon by Trisha Brown, Meredith Monk, Fred Herko, Yvonne Rainer and others. Dance is always derived from other movement, but postmodern dance at least acknowledges this, and is less interested in claiming sovereignty or autonomy. Judson dance was an as arbitrage of movement forms in different situations including the sit-in and the demo. It's a kind of dance that can attribute valuation but doesn't govern, and that includes space and objects within its practices. It brings bodies together according to physique and physics rather than commanded by external authorities, terrestrial or celestial.

The classical gesture brings all power to a center to be imitated. The modern is about the interior depth of centered sovereign creator. The postmodern counter-tendency is centrifugal, spinning out, not in. It is a persistent decolonization within the modern, “replacing God with gravity.” (172) Movement is developed out of the body itself – using methods influence by Zürich Dada fellow traveler Rudolf Laban. “Rather than descending from the line of God through the body of the sovereign or from deep within the creator’s body, postmodern technique emphasizes the spaces in between the bodies of dancers or the spatial and kinesthetic relations that obtain between dancers and their environment.” (173)

Martin sees parallels between Judson dance and more vernacular movement practices such as hip-hop’s Rock Steady Crew and Z-Boy skaters. These were horizontal habits which expressed a global abundance of movement, iterative and derivative. These were of a piece with the musical cultures of the time, based on samples and breaks, “The break, from this perspective, could be considered a space of arbitrage, a place where a manufactured difference between two sources becomes a generative realization of some value.” (189) One could connect this to Azuma on otaku and Eshun on techno.

These derivative forms emerged among populations ‘at risk’, meaning mostly risk of proletarianization. Upward or forward mobility is blocked, so their kinesthetic elaborates sideways moves. They are the inverse phenomena to the financialization and concentration of wealth. One could put more stress on the forms of recuperation developed in this era of the disintegrating spectacle, but the 70s kinesethetics did their best to out run them, through “mashing, mashing and mixing.” (210) It was an era of emerging sovereignties living pleasure within danger. One could think this as a response to the era of *precarity* as McRobbie and others call it, although it’s a more compromised word than it sounds, linked to both debt and prayer. Martin prefers to think in terms of *volatility*.

The quandaries of the category of *public* form the middle section of the book, and draw not on Martin’s experience as a dance scholar within cultural studies but as a researcher in cultural policy studies. Here Martin’s study is focused on the American scene, but other parts of the overdeveloped world may increasingly come to resemble it. The ‘public’ is many rather than one thing, and is distributed across the economic, political and cultural. It appears as a stand-in for ‘the good.’ But the public is now actually a derivative of the private. “The public associated with the commons, consensus, and cooperation has been eclipsed by private self-interest, fragmentation and competition.” (82) A derivative undoes the integrity of the part and whole, and reassembles attributes into forms of indebtedness, contingency, exchange value. This is what happened to public goods, those which are not private and not made for profit.

The public is managed by a third sector beyond state and market – philanthropy and non-profit organization. They care for the commons, but put donors in the position of judging social allocations. Private foundations become a distinct institutional sector, taking over state functions in an era of tax cuts. They transfer public resources into private hands, and as such are of a piece with employer health care plans, the home mortgage interest rate deduction, tax-exempt retirement accounts and other forms of selective privatized welfare.

Philanthropy has become something less than a gift. “When giving becomes a form of investment, the notion of public good shifts from something that the market cannot provide to a claim on what is good for the public... The public as a derivative of private values does not simply render all goods onto the market. Instead, it infuses civic engagement with expectations of appreciable gain... Hence, far from a simple conversion to the market, as suggested by concepts such as privatization, deregulation, and neoliberalism, the philanthropic complex... is at once regulatory, constitutive of publics, and compatible with a proselytizing conservatism as much as moralizing liberalism.” (91-92)

Philanthropy aligns the ‘rich’ and ‘poor’ by generalizing private property, the ur-form of which is the microloan. Access to credit is now touted as a ‘human right.’ The human is conceived as market actor. Microloans have high rates of return with high interest and low default. They exploit unpaid family labor, and have low overheads. The aggregation of these loans through digital information infrastructure makes poverty bankable, by exploiting social solidarity and trust procedures. Poor women are good debtors being, held in place by patriarchal kin. They convert the local into the global via finance.

In place of democratic accountability is a concept of fiduciary oversight of the social. “Framing public goods in terms of investment that maximize returns alleviates them from the burden of being available to all, especially when opportunity trumps equality as a key underlying value.” (100) For non-profits, the capacity to raise and expend funds is its own sign of success. “The sensibility of the venture philanthropist is to inhabit the present with their wealth and to incarnate less a universal will as an investor-based excellence.” (102) Philanthropy and its public meet through the derivative forms of big stars and big data. Polling is the public pacified, the *general will* reduced to consumer choice. But where polling was once interested in aggregating difference into a national popular whole, now it is more about political and cultural market niches and interest groups. These “derivative publics” (115) have their own celebrity experts, its Nate Silvers.

Martin: “... legitimacy and authority shift into the realm of uncertainty. No-one knows what the public thinks, what performances are worth, what politics opinions enact, yet all are compelled to search for value and to act on the differences they perceive... Poised between noise and information, between non-knowledge and knowledge, derivatives emerge from the space between the measurable and the immeasurable – not simply making a quanta actionable but charging the medium in which they move with certain qualities.” (115-116) A point that connects Martin to Yann Moulier Boutang.

The other derivative of the public is the celebrity, the charismatic outsider, whose role is to re-enchant the disenchanted masses. Stars are expressions of what is valued, a qualitative abstraction from touchy publics. "The center holds less not because it is impossible to quantify but because it remains in motion, at the heart of volatility, throbbing, shifting away from the prospect that it can anchor the effluvial masses." (120) The stability of the public is undone by its own operations.

The public is now a good made in the nonprofit sector. The many are known by measuring the few at the volatile center or via the celebrity avatar of the shifting edge. "The derivative logic undoes the partition of public and private. A flood of the political ensues." (121) This is an interesting insight: far from being a postpolitical age, it's the opposite. There is an abundance of politics. What Mouffe would call *antagonism* overflows its institutional bounds.

The expert elite who manage the technical aspect of its derivative form produces backlash. Political antagonism is recoded as cultural difference, producing the *culture wars* – antagonism reduced to culture and blamed for its own inability to assimilate to a rational norm. The culture wars are for Martin an anxiety provoked by partial decolonization. It's a fear –shared by conservatives and liberals alike, that "democratization would be the enemy of democracy." (126)

The instruments devised to manage risk produce it in politics too. There is a surplus of ungovernable uncertainty. "Politics overflows its banks; regulatory capacities are disintermediated; political value is assembled from shared attributes that come from far and near; affiliation is rendered volatile; the face value of the political exceeds the underlying means of representation and formal channels of participation; sentiments are judged in anticipation of their completion as consequences." (123)

Martin calls this excess *criticality*, "That politics does not reside in a single sphere, filled by some volute of a popular mass whose energies can be assimilated and co-opted, shifts dramatically the very conception of mobilization as an aggregate of individual decisions taken. Rather, excess criticality occupies the kind of epistemic and ontic state of the dark pools, shadow banks, and arbitrage conditions by which new currencies of political value are generated." (141)

Excess criticality has two "sensibilities of surplus." (123) The first still seeks an expansion of rights, to health, education, housing, jobs, but also to freedoms and protections, an expanding democratization. The second is a total critique that is immanent to that democratization and pushes it against its limit. Expert-based politics failed to keep up with excess criticality and resulted in a generalized distrust of 'elites'. With the demise of professionally managed political pluralism, there are demand for limits to criticality to preserve a democratic procedure, even as it has ceased to function.

This volatility of culture and politics parallels that of the economy. The economy is supposed to be that which is excluded from the political but includes a national population. The crisis is about what is included and excluded. It took a massive political intervention to save the economy from itself in 2008, by a visible regulatory hand that was itself beyond regulation. The intervention was less to fix the thing than to change public perception. The bailout transferred public money to the private sphere, and it was apparently self-evident that this was in everyone's interest.

The economy is supposed to be a device for converting knowing into being, but one has to believe in it in order for it to deliver wealth. The economy met its end in 2008 because it became unknowable even to itself. But no better way of knowing could be found, and the knowledge crisis remains. "Contrary to the fable of triumphant neoliberalism... more regulation, not less, is required..." (54) Deregulation rewrites statues rather than abolishing them.

The economy actually needs active management but complains about it. It is a supposedly self-regulating distributor of prices which combines knowledge from individuals who each know their own preferences. The market is the sum of all knowledge individual monads provide, which they cannot master because what they have is incomplete. Knowledge is not given to anyone as totality, only market can be that – or so the followers of Hayek insist.

Financial markets are knowledge aggregation in its purest form, an economy of almost pure information, although as Mirowski points out, economists are never too clear about what information actually is. In the economy of finance, derivatives are based on models of risk which can be priced. In portfolio theory, risk is spread through diversification. Short-term fluctuations in prices can be hedged; long-term is a bit tricky and more volatile. It is hard to manage futures which are not like the past using models drawn from that past. Risk can be knowable; *uncertainty* is unknowable. Derivatives are a way to hedge risk and extract a return from an unknowable future by hedging its various possibilities. Derivatives can even extract a surplus from uncertainty itself.

Expertise can no longer prevent volatility. There's a link between a financialization of non-knowledge and the state attacks on expertise that accelerated under Reagan and Thatcher. They attacked the credibility of their own governing class. Knowledge no longer has an autonomous value. It has to show a return. The mass of knowledge on which finance rested became its impediment. There's a loss of trust in the particular expertise that managed particular risks, in education, health or security, for example. Finance became the manager of generalized risk in the form of non-knowledge.

The managerial class turned out to have no internal class cohesion, and it was easy enough to separate 'star' managers and attach them to finance. Martin: "The occupational girth of the professional managerial class continues to expand, driven by managerialism, intellectual property, industrialization of culture, and the like... But its basis of association and its internal logic of association are to be decomposed and reformed from autonomous control of expert domains to highly specialized and technical knowledge that is subject to managerial requisites rather than self-rule..." (132)

What is surplus or excess in relation to knowledge? For Martin, it's the *unknown*. Risk management in professional fields, from health to security to energy to finance generate value from the unknown. Knowledge is now so abundant it can't all be used, and its excess can generate disaster. Knowledge is a kind of credit, but the unknown is a kind of debt. The industrialization of knowledge is like the transformation of farmers into workers. There's a loss of a particular connection to means of production. Enclosure now extending into the professions.

Since expert knowledge can't fix 'economy,' non-knowledge has its day. Non-knowledge comes in a few flavors. The unknown known is, or was, discoverable by expertise. The known unknown is imaginable but impossible to verify. The unknown unknown is a generative absence of knowledge confronting risk and uncertainty. The burden of enduring all of these shifts onto individuals. "Non-knowledge rules in the world risk society." (47) Non-knowledge generates *derivative logics*. These prosper now that non-knowledge is a force of production.

"Financialization... entails a shift in policy emphasis from providing security to managing risk." (55) The swelling of that risk leads to more and more hedging. There's a kind of "regulatory disintermediation." (56) Lots of rule-making is now outside of the state, in much the same way, as Keller Easterling observes, that regulation in the design world is now about standards. The economy was a model for the conservation of energy based on utility as determined by partial but rational actors. "Whereas what was been described as the economy imagines that price is the moment of resolution of difference, the derivative operates through the conditions of generalized uncertainty as a bearer of this ongoing contestation over value in which the relation between knowledge and non-knowledge is governed." (56)

Not only is the totality of derivatives bigger than the commodity economy, it is prior to it. Prices are formed in options and futures markets before they are set in cash markets "The core operation of derivatives is to bind the future to the present through a range of contractual opportunities and to make all manner of capital across disparate spheres of place, sector, and characteristic commensurate with one another." (60) Derivatives are a kind of "meta-capital." (60) Admittedly, "stuff still gets made and sold, even if through thickets of debt and credit" (14) but I wonder if this is still 'capitalism' or something else.

Martin: "if commodities appeared as a unit of wealth that could abstract parts into a whole, derivatives are a still more complex process by which parts are no longer unitary but are continuously disassembled and reassembled as various attributes are bundled and their notional value exceeds the whole economy to which they may once have been summed." (60) Capitalism designed processes of mass assembly that made standardized products. Derivatives run that process in reverse, slicing into the bulk of those products and reassembled by risk attribute. They are worth more as derivatives than as commodities. "Subjecting the world to the logic of derivatives means acting as if no transaction is final and there is always a globally realizable potential for improved performance..." (62)

Martin: "By abstracting capital from its own body... derivatives do to capital what capital itself has been doing to concrete forms of money and productive conditions such as labor, raw materials, and the physical plant. Hence, while derivatives serve as a globally exchangeable money form, they also break down the distinction between money and capital. At the same time, they make available to capital accumulation what would be considered new materialities of ideas and perceptions, weather and war, bits of code stripped from tele-technology or DNA, the microscopic and cosmic." (61) The derivative organizes the forces of production of the information vector.

Derivatives increase opacity, amplify volatility and risk. They then treat the volatility they produce as a horizon for their own opportunity. "They turn the contestability of fundamental value into a tradeable commodity... The derivative serves as a kind of shuttle between the particular risk factors it bundles together and the general glare of optimum market performance as an imaginary horizon to which the measure is subject." (63) This is not just a matter of a world of 'fictitious capital' or 'mere circulation.' Financial logics enter directly into the workplace. The housing, education, health and automotive industries integrate finance directly with production. Even daily life becomes financialized, and anyone with either money or debt works a second shift managing these assets and liabilities. "Derivatives perform a dispossession of self and ownership." (78)

That there is a political or cultural outside to the economic is a fantasy structure the derivative abolishes. They now constitute the totality. The derivative is not an economic object that politics can regulate. It is itself regulatory. It is non-knowledge itself, commodified. Derivatives don't price things; they price uncertainty. "Finance works through flows. It moves production inside of circulation. It is a kind of compulsory movement that mandates going forward. Even in times of crisis, we must keep going at all costs. The price paid for this compulsion is that finance claims to see everything but has no knowledge of how it moves, or has no language for its own movement." (143)

Derivatives appear as detachable but actually reveal a mutual indebtedness. Debt 'servicing' becomes everyone's problem. Derivatives make future outcomes actionable in the present, appearing as a way to regulate and control futures. "Finance is based on those with observable information profiting from the bulk of those lacking it who create an environment of noise." (68) Uncertainty itself is rendered productive.

"Rather than something firmly tethered that then got away, what would it mean to understand the emergence of this dissonant social relation that cuts across the global and the intimate, spheres of production and circulation, future and present, knowledge and non-knowledge?" (74) For Martin, non-knowledge is an open field of non-absorbed surplus, which means that a politics

specific to this era, rather than nostalgic for another, could apply itself to socializing this surplus, starting from the form in which it now appears.

What I would want to add to Martin is an attention to the forces of production that made the derivative possible, what I call the vector or what Bratton calls the stack. Then one could examine the derivative at work in other fields, such as the sciences. One might also then sharpen the class analysis at work, and see finance as a component of a class that extracts value from surplus information – what I call the vectoralist class. One might then also pay closer attention to the various subordinate classes this layered mode of production exploits, what I call the farmer, the worker and the hacker classes.

The derivative is the form of appearance of a qualitatively different abstraction at work in the world, built on top of, and extracting a surplus from, the second nature that social labor built at the command of capital – what I call a third nature. But as Virno reminds us, the term 'second nature' in Marx always carried a tone of ideological falseness. Likewise, as Jason Moore and others remind us, the totality of our times is no less real and yet no less false, and is only accelerating the metabolic rift between the totality of social relations and their dependency on a 'first' nature that now appears as a spread of risks to be optioned, swapped and hedged.

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